



## INCREASING INDIANA'S TOBACCO TAX WILL RESULT IN LOWER HEALTH CARE COSTS FOR HOOSIERS

### Tobacco's impact on Indiana

- Indiana has the fourth (4<sup>th</sup>) highest adult smoking rate (27%) in the United States. The national average is 23%<sup>1</sup>.
- Thirty-two percent (32%) of Indiana's high school students smoke, compared to the national average of 28%<sup>2</sup>.
- In Indiana 21% of women smoke during pregnancy, the fourth (4<sup>th</sup>) highest rate in the United States. The national average is 12.3%<sup>3</sup>.
- Close to 18,900 babies are born in Indiana each year to a mother who has smoked during pregnancy. The tobacco-related health care costs for these babies are \$20.4 million each year<sup>4</sup>.
- Hoosiers spend \$1.6 billion each year in tobacco-related health care costs<sup>5</sup>.
- Of the billions spent on tobacco-related health care annually, an estimated \$380 million is due to Medicaid costs<sup>6</sup>.
- 10,300 Hoosiers die each year from tobacco-related illnesses<sup>7</sup>.

### Impact of higher tobacco taxes

- Indiana has one of the lowest tobacco taxes in the United States: ranking 44<sup>th</sup> with a 15.5-cent tax. The average state tobacco tax is 49.1 cents, with taxes ranging from \$1.50 to 2.5 cents<sup>8</sup>.
- Numerous United States Surgeon General reports have concluded that an optimal level of excise taxation on tobacco products will reduce smoking rates, tobacco consumption and the long-term health consequences of tobacco use.
- Raising state cigarette taxes always reduces smoking rates and always increases state revenue<sup>9</sup>.
  - In 1994, Michigan's fifty (50) cent tax increase resulted in a 20.8% decline in tobacco consumption, while producing \$341 million in revenue.

<sup>1</sup> 2000 Behavior Risk Factor Surveillance Survey

<sup>2</sup> State Youth Tobacco Surveys

<sup>3</sup> National Vital Statistics Report, "Smoking During Pregnancy in the 1990s".

<sup>4</sup> Miller et al, "Birth and First-Year Costs for Mothers and Infants Attributable to Maternal Smoking".

<sup>5</sup> CDC, State Tobacco Control Highlights, 2002.

<sup>6</sup> See footnote 5; The Indiana Office of Medicaid Policy and Planning reports the tobacco-related expenditures were \$232 million (excluding drugs) for SFY 2001.

<sup>7</sup> CDC, State Tobacco Control Highlights, 2002.

<sup>8</sup> <http://tobaccofreekids.org/research/factsheets/pdf/0097.pdf>

<sup>9</sup> <http://tobaccofreekids.org/research/factsheets/pdf/0098.pdf>

- In 2000, New York's fifty-five (55) cent tax increase resulted in a 24.5% decline in tobacco consumption, while producing \$352 million in revenue.
- Economic research studies currently conclude that every 10% increase in the real price of cigarettes reduces adult smoking by about 4% and teen smoking by roughly 7%<sup>10</sup>.

## Impact of higher taxes on youth smoking

- There is strong evidence that youth are more responsive to price increases than adults.
- Youth are up to three times more sensitive to price than adults while younger adults (18-24) are about twice as sensitive to price than older adults<sup>10</sup>.
- Recent studies conclude that the greatest impact of price increases is in preventing the transition from youth experimental smoking to regular (daily) smoking<sup>10</sup>.
- Considering 90% of smokers start as teenagers, a group highly sensitive to price, higher taxes can sharply reduce youth smoking. A reduction in youth smoking will influence a long-term decrease in adult smoking.

## Increasing Indiana's cigarette tax will...

- Result in fewer Hoosiers smoking
- Prevent thousands of youth from becoming regular smokers
- Produce healthier babies, as fewer women will smoke during pregnancy
- Save millions of dollars in health care costs

A tobacco tax increase of...	50 cents	75 cents	\$1.00
<b>Results in...</b>			
<b>Fewer youth smokers</b>	44,000	66,000	88,000
<b>Fewer adult smokers</b>	39,000	59,000	78,000
<b>Fewer smoking-caused deaths</b>	22,000	34,000	45,000
<b>Increased State revenue</b>	\$356 million	\$515 million	\$660 million

Source: Campaign for Tobacco Free Kids

## Public Support

- Seven out of ten Hoosier voters (70%) support a 50 cent increase in the State's tobacco tax<sup>11</sup>.
- There is broad-based support among voters for a 50 cent cigarette tax increase: 77% Democrats; 73% Independents; 65% Republicans<sup>11</sup>

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<sup>10</sup> Tauras et al, "Effects of Price and Access Laws on Teenage Smoking Initiation: A National Longitudinal Analysis.

<sup>11</sup> Massie, Inc. conducted a random survey of registered Indiana voters, December 6-8, 2001